

Message Text

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ACTION SS-30

INFO OCT-01 ISO-00 /031 W

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P 232121Z NOV 73

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 6649

S E C R E T SECTION 1 OF 2 SANTIAGO 5779

EXDIS

EO 11652: GDS

TAGS: CI, UN, PFOR

SUBJ: COPPER COMPENSATION AND DEBT RESCHEDULING

REFS: (A) STATE 226439; (B) SANTIAGO 5625

1. SUMMARY: RAUL SAEZ, ECONOMIC ADVISOR TO JUNTA, AGREES TO DISCUSS A RESCHEDULING AGREEMENT ON 1971-72 DEBT TO U.S. WITH US IN MID-DEC. AT SAME TIME, GOC NEGOTIATOR WILL INITIATE DIRECT TALKS WITH U.S. COPPER COMPANIES ON COMPENSATION. GOC HOPES TO APPOINT NEGOTIATOR WITHIN A WEEK. HIS APPOINTMENT WILL BE COMMUNICATED PRIVATELY TO THE COMPANIES WHEN MADE. GOC WILL MAINTAIN MAXIMUM FLEXIBILITY AS IT STARTS TALKS WITH COMPANIES. ACTION: RECOMMEND DEPT PROVIDE MATERIALS FOR FURTHER DISCUSSION WITH SAEZ ON DEBT SPECIFICS TO ENABLE HIM ACT DECISIVELY ON THIS MATTER IN MID-DECEMBER. END SUMMARY.

2. AS WE HAD TENTATIVELY AGREED LAST WEEK, I CALLED ON RAUL SAEZ AT 1700 NOV 21 AT MY REQUEST. OUR MEETING, WHICH LASTED AN HOUR AND A HALF, CONSTITUTED A FRANK AND VERY FRIENDLY IN-DEPTH REVIEW OF THIS SUBJECT.

3. AFTER PRELIMINARY DISCUSSION OF OTHER TOPICS, I OBSERVED THAT AMONG OBSTACLES IN WAY OF OUR ABILITY TO BE AS HELPFUL TO CHILE AS WE WOULD WISH ARE TWO ISSUES WHICH I TOOK TO FALL WITHIN SAEZ' AREA OF RESPONSIBILITY: DEBT RESCHEDULING AND COPPER COMPENSATION. I SAID THAT THE CHILEAN OBJECTIVE OF AN JANUARY PARIS CLUB MEETING RAISED ISSUED OF PRIORITIES AND TIMING IN DEALING WITH CERTAIN
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ASPECTS OF U.S.-GOC RELATIONS WHICH I WISHED TO REVIEW.

4. SAEZ INTERRUPTED TO NOTE THAT PARIS CLUB MEETING IS NOW PLANNED FOR SECOND WEEK IN FEBRUARY. THIS CHANGE IS REQUIRED BECAUSE IMF

REPORT WILL BE IMPORTANT FOR THAT MEETING AND FUND REPORT IS NOW EXPECTED LAST WEEK IN JANUARY.

5. I SAID THAT IN LIGHT OF PROBLEMS I HAD IN MIND, DEFERRAL OF PARIS CLUB MEETING SEEMED ADVANTAGEOUS. I WENT ON TO NOTE THAT OUR ABILITY TO BE HELPFUL TO GOC AT PARIS CLUB MEETING WOULD BE SIGNIFICANTLY INCREASED BY THE CONCLUSION OF A BILATERAL AGREEMENT ON 1971-72 DEBT TO U.S. IN ADVANCE OF THAT MEETING. DESIRABILITY OF CONCLUDING SUCH A BILATERAL HAD BEEN SUGGESTED TO FOREIGN MINISTER HUERTA AND HIS PARTY WHEN THEY WERE IN WASHINGTON THE SECOND WEEK IN OCT BUT WE HAD HEARD NOTHING ON THIS SUBJECT SINCE THAT TIME.

6. SAEZ SAID THAT GOC HAD ALREADY BEEN IN TOUCH WITH EX-IM. THIS CONTACT HAD REVEALED SOME DISCREPANCIES WITH REGARD TO AMOUNTS INVOLVING PARTICULARLY WITH REFERENCE TO A LARGE NUMBER OF SMALL CREDITS. THE GOC HAD IN MIND SENDING A COUPLE OF SPECIAL REPRESENTATIVES TO WASHINGTON IN THE NEAR FUTURE TO SORT THROUGH THESE NUMBERS WITH EX-IM. SAEZ SAID IT WAS HIS INTENTION TO CONCLUDE THE EX-IM DISCUSSIONS WHEN HE GOES TO WASHINGTON AROUND MID-DECEMBER FOR THE INFORMAL INTER-AGENCY REVIEW TO BE HELD UNDER CIAP AUSPICES.

7. I SAID THAT WHILE THE GOC DEBT TO EX-IM IS AN IMPORTANT PART OF THE TOTAL, WE WERE LOOKING TOWARD A BILATERAL AGREEMENT WHICH WOULD ENCOMPASS ALL OTHER ELEMENTS OF GOC DEBT TO U.S. AS WELL. SAEZ SAID HE WOULD BE WILLING TO PARTICIPATE IN DISCUSSIONS LOOKING TOWARD SUCH A BILATERAL DURING MID-DECEMBER WASHINGTON VISIT.

8. I NOTED THAT UNDER SUCH AN AGREEMENT, THE GOC WOULD HAVE TO PAY EX-IM MORE THAN A TOKEN SUM ON THE AMOUNT DUE. SAEZ SAID HE RECOGNIZED THAT.

9. I OBSERVED THAT THE COPPER COMPENSATION PROBLEM WAS AN IMPORTANT FACTOR IN THE DEBT RESCHEDULING SENARIO WE HAD BEEN DISCUSSING. FIRST, WE CONTINUE TO ADHERE TO THE PROVISIONS OF THE APR 19, 1972 MEMORANDUM OF UNDERSTANDING OF THE PARIS CLUB CREDITORS
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WHEREBY THE PREVIOUS CHILEAN GOVT AGREED TO SEEK PROMPT RESOLUTION TO COPPER COMPENSATION PROBLEM IN ACCORDANCE WITH CHILEAN LEGISLATION AND INTERNATIONAL LAW. SECOND, IT WOULD BE VERY DIFFICULT FOR US TO JUSTIFY CONCLUSION OF A RESCHEDULING AGREEMENT ON 1971-72 DEBT TO U.S. IN ABSENCE OF EVIDENCE OF PROGRESS ON COPPER COMPENSATION ISSUED. I RECALLED THAT FORMIN HUERTA AND HIS PARTY HAD DISCUSSED COMPENSATION ISSUE IN WASHINGTON AND HAD PROCEEDED TO MAKE CONTACT WITH THE COMPANIES. INDEED, THEY HAD GIVEN CERRO TO UNDERSTAND THAT COMPANY REPRESENTATIVE WOULD BE INVITED TO SANTIAGO THE LAST WEEK IN OCT WITH A VIEW TO PROMPT SETTLEMENT OF CERRO CASE AND HAD GIVEN ANACONDA TO UNDERSTAND THAT THE GOC WOULD BE BACK IN TOUCH BY MID-NOV. THIS HAD SEEMED A VERY AUSPICIOUS BEGINNING BUT WE WERE NOT AWARE OF ANY FOLLOW-UP

ACTION AND THE COMPANIES WERE UNDERSTANDABLY CONCERNED AND UNCERTAIN.

10. SAEZ REMARKED WRYLY THAT I HAD BEEN CONSIDERATE ENOUGH NOT TO MENTION THAT APPROACH TO KENNECOTT HAD PRODUCED A RESPONSE WHICH WAS, IN ESSENCE, "WHEN YOU HAVE PAID US THE \$600 MILLION YOU OWE US, PERHAPS THERE WILL BE SOMETHING TO TALK ABOUT." HE THEN RELATED "OFF-THE-RECORD" HIS EFFORT TO GIVE FORMIN HUERTA ADVICE ABOUT HANDLING THIS ISSUE IN THE U.S. IN THE DAY OR TWO SAEZ WAS IN CHILE PRIOR TO THE FOREIGN MINISTER'S DEPARTURE AND HIS VIEW ON ACTIVITIES OF THE FORMIN'S ECONOMIC ADVISORS. WHAT EMERGED WAS THAT CONTACTS WITH THE COMPANIES WERE NOT RPT NOT COORDINATED WITH SAEZ AND HE HAS A VERY POOR OPINION OF ADVISORS (READ ORLANDO SAENZ) WHO ARE UNWILLING TO PRESERVE THE ANONYMITY PROPER TO ADVISORS BUT PREFER TO BE SCENE-STEALERS AND HEADLINE-GRABBERS. DESPITE HIS VIEWS ABOUT THE INCEPTION OF THIS PROCESS, SAEZ SAID IT IS CLEAR THAT IT IS POINTLESS FOR THE GOC SIMPLY TO MAKE NOISES ABOUT THIS ISSUE. IT IS ESSENTIAL THAT THE GOC PROCEED EXPEDITIOUSLY TO CONCLUDE A JUST AND EQUITABLE SETTLEMENT.

11. SAEZ SAID GOC HAS HAD TO GRAPPLE WITH TWO PROBLEMS IN PREPARING TO PROCEED TO SUCH A SETTLEMENT. THE FIRST IS DEVELOPMENT OF AN ADEQUATE CONCEPT OF THE KIND OF ISSUE COPPER COMPENSATION IS; THE SECOND IS FINDING A NEGOTIATOR WHO MEETS THE REQUIREMENTS NECESSARY TO BE ABLE TO MAKE A JUST AND EQUITABLE SETTLEMENT ON BEHALF OF GOC.

12. AS TO THE CONCEPT, SAEZ SAID THE LAWYERS BELIEVE COMPENSATION
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IS A JURIDICAL ISSUE, THE ECONOMISTS BELIEVE IT IS AN ECONOMIC ISSUE, AND THE COPPER PEOPLE IN CODELCO CONSIDER IT A TECHNICAL ISSUE. THE PROBLEM IS THAT VERY FEW PEOPLE HAVE THE VISION TO RECOGNIZE THAT WHILE THE ISSUE HAS LEGAL, ECONOMIC AND TECHNICAL ELEMENTS, IT IS ALSO AN ISSUE OF MAJOR IMPORTANCE IN TERMS OF INTERNATIONAL CONFIDENCE AND FOREIGN INVESTOR CONFIDENCE IN CHILE AND AN OPPORTUNITY TO ESTABLISH ARRANGEMENTS UNDER WHICH THE COPPER COMPANIES ARE NOT ONLY COMPENSATED BUT ARE INVITED INTO CHILE AGAIN, THUS DEMONSTRATING THAT SETTLEMENT IS NOT ONLY JUST AND EQUITABLE, BUT AMICABLE AS WELL, AND THAT THE PAST IS REALLY THE PAST.

13. AS TO THE NEGOTIATOR, SAEZ SAID WHILE THERE IS NO DEARTH OF VOLUNTEERS WHO THINK THEY ARE QUALIFIED FOR THE TASK, IN FACT FEW ARE. HE AND MINECON LENIZ HAVE BEEN TRYING TO FIND THE RIGHT MAN. IN THEIR VIEW HE MUST HAVE THREE ESSENTIAL QUALIFICATIONS:

A. HE MUST BE A MAN OF UTTER HONESTY, RECTITUDE AND PROBITY AND MUST BE WIDELY RECOGNIZED IN CHILE AS SUCH. THERE WILL BE SO MUCH INEVITABLE CRITICISM OF ANYTHING HE DOES THAT HIS PAST RECORD AND REPUTATION FOR INTEGRITY AND HONESTY MUST PUT THE LIE TO ANY ACCUSATIONS OF MISCONDUCT.

B. HE MUST HAVE AN ESTABLISHED REPUTATION AND STANDING INTERNATIONALLY AND IN U.S. BUSINESS COMMUNITY: INTERNATIONALLY IN ORDER THAT PARIS CLUB CREDITORS RECOGNIZE THE SERIOUSNESS WITH WHICH GOC IS ADDRESSING COMPENSATION ISSUE; WITHIN U.S. BUSINESS COMMUNITY SO THAT THE COMPANIES WILL HAVE COMPLETE FAITH IN SERIOUSNESS OF GOC INTENT TO CONCLUDE A JUST AND EQUITABLE SETTLEMENT. GOC IN ITS OWN INTERESTS IS GOING TO HAVE TO ENGAGE IN HARD BARGAINING WITH THE COMPANIES. IT IS IMPORTANT THAT THE STANDING OF THE NEGOTIATOR BE SUCH THAT COMPANIES UNDERSTAND THIS BARGAINING ASSUCH AND NOT MISTAKE IT FOR A GOC ATTEMPT TO AVOID OR PROLONG CONCLUSION OF A SETTLEMENT.

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 6650

S E C R E T SECTION 2 OF 2 SANTIAGO 5779

EXDIS

EO11652: GS

TAGS: CI, UN, PFOR

SUBJ: COPPER COMPENSATION AND DEBT RESCHEDULING

C. HE MUST BE A MAN WHO IS PREPARED TO LIVE FOR THE REST OF HIS LIFE WITH THE INEVITABLE CHARGES THAT HE "UNNECESSARILY GAVE AWAY TO THE U.S. COMPANIES \$300 MILLION OR WHATEVER."

14. SAEZ AND LENIZ HAVE NARROWED THE FIELD TO EIGHT POTENTIAL PROSPECTS. THEY HAVE JUST MADE THEIR SELECTION AND ARE TRYING TO CONTACT THE MAN TO SEEK HIS ACCEPTANCE. UNFORTUNATELY HE IS ON AN OUTING IN A REMOTE PART OF SOUTHERN CHILE. A MESSENGER HAS BEEN SENT TO HIM VIA CARABINERO CHANNELS AND SHOULD HAVE REACHED HIM NOV 21. SAEZ AND LENIZ ARE HOPEFUL THAT HE WILL ACCEPT. THEY HOPE IN ANY CASE TO HAVE THE NEGOTIATOR NAMED WITHIN A WEEK. IT IS GOC INTENTION THAT NEGOTIATOR BEGIN TALKS WITH COMPANIES IN MID-DECEMBER.

15. I ASKED WHETHER IT WOULD NOT BE USEFUL FOR GOC TO COMMUNICATE THESE PLANS TO COMPANIES TO RELIEVE THEIR CONCERN AND UNCERTAINTY. SAEZ RUMINATED THAT THERE WAS ANOTHER DIMENSION OF THE PROBLEM WHICH HAD JUST BEEN RAISED WITH HIM BY A GROUP OF LAWYERS REPRESENTING THE COMPANIES. THEY HAD POINTED OUT THAT

OF THE 60 DAY RESPITE IN LITIGATION WHICH HAD BEEN AGREED, 36 DAYS HAD ELAPSED. THE LAWYERS NOTED THAT THEY COULD NOT WAIT MUCH LONGER TO BEGIN TO DEFEND THE INTERESTS OF THEIR CLIENTS. SAEZ CONCLUDED THAT IT WOULD BE DESIRABLE TO COMMUNICATE WITH THE COMPANIES EVEN THOUGH THE GOC DOES NOT YET WISH TO MAKE PUBLIC SECRET

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THE APPOINTMENT OF A NEGOTIATOR. AS A RESULT, HE SAID THAT AS SOON AS A NEGOTIATOR IS NAMED, I WOULD BE INFORMED AND THE SAME INFORMATION WOULD BE PASSED PRIVATELY TO THE COMPANIES.

16. I REMARKED THAT CERRO CASE SEEMED IN A DIFFERENT CATEGORY FROM OTHERS INASMUCH AS THERE APPEARED TO BE AGREEMENT ON BOTH SIDE THAT A SETTLEMENT WAS VERY NEARLY IN HAND. I SAID THAT SETTLEMENT OF THIS CASE WOULD BE OF PSYCHOLOGICAL IMPORTANCE AND WOULD BE GENERALLY HELPFUL. SAEZ AGREED WITH DESIRABILITY OF ANY EARLY SETTLEMENT AND THAT CERRO CASE IS EASIER THAN THE OTHERS BUT SAID IT TOO MUST AWAIT THE ACTION OF THE NEGOTIATOR. HE SAID THERE IS A \$15 MILLION TAX PROBLEM TO BE RESOLVED. HE HAS BEEN CAREFUL TO AVOID GOING INTO SUCH DETAILS AS LOOKING AT DOCUMENTS WHICH WOULD TEND TO CAST HIM IN THE ROLE OF NEGOTIATOR, BUT FROM WHAT HE HAS BEEN TOLD OF THE ISSUE, HE DOES NOT BELIEVE THE TAX IS APPLICABLE TO CERRO. HE HAD AN IMPORTANT HAND IN DRAFTING THE LEGISLATION UNDER WICH THIS TAX, AS HE UNDERSTAND IT, WAS ASSESSED AND WHILE THE LEGISLATIVE LANGUAGE MAY NOT HAVE BEEN PERFECT, IT PLAINLY WAS NOT THE LEGISLATIVE INTENT TO APPLY THIS TAX TO A COMPANY IN CERRO'S SITUATION. NEVERTHELESS, DROPPING THE GOC TAX CLAIM PRESENTS A SERIOUS PROBLEM FOR DIRECTOR OF INTERNAL REVENUE MOLINA AND THE NEGOTIATOR WILL HAVE TO DEAL WITH THIS PROBLEM.

17. I SAID I CONCLUDED FROM OUR DISCUSSION THAT THE GOC INTENDED TO MAINTAIN MAXIMUM FLEXIBILITY FOR ITS TALKS WITH THE COMPANIES, AWARE THAT PARTICULAR PROCEDURES MIGHT NOT BE APPLICABLE TO ALL CASES, SAEZ SAID GOC INTENDS TO RETAIN FLEXIBILITY FOR DEALING WITH THE DIFFERENT CASES. HE NOTED THAT GOC HAD SETTLED ON DIRECT NEGOTIATIONS WITH THE COMPANIES AFTER CONSIDERING AND DISCARDING TWO OTHER SETTLEMENT POSSIBILITIES-- GOVERNMENT-TO-GOVERNMENT NEGOTIATIONS AND ARBITRATION. SAEZ SAID HE HAD REJECTED GOVERNMENT-TO-GOVERNMENT NEGOTIATIONS BECAUSE HE BELIEVED THEY WOULD POSE SPECIAL DIFFICULTIES FOR USG AND AND DIFFICULTIES OF A DIFFERENT ORDER FOR CHILE. WITH REGARD TO THE LATTER HE NOTED THAT LATIN AMERICA GENERALLY HAS BEEN UNWILLING TO ACCEPT SUBROGATION ASPECTS OF U.S. INVESTMENT GUARANTEE AGREEMENTS UNDER WICH USG SUCCEEDS TO RIGHTS OF PRIVATE COMPANY CLAIMANTS. CHILEAN CHOICE OF THIS METHOD OF SETTLEMENT WOULD BE TANTAMOUNT TO ACCEPTANCE OF SUBROGATION PRINCIPLE. HE SAID ARBITRATION HAD BEEN REJECTED BECAUSE UPON EXAMINATION IT WAS APPARENT SECRET

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THAT ARBITRATION WOULD HAVE TO PROCEED THROUGH VARIOUS STAGES, EACH ACCOMPANIED BY TORTUOUS EFFORTS TO WORK OUT TERMS OF REFERENCE FOR THE ARBITRATOR. ALL IN ALL, ARBITRATION APPEARED ENTIRELY TOO ELABORATE AND COMPLICATED TO SERVE TO ACHIEVE THE PROMPT, JUST AND EQUITABLE SETTLEMENT THE GOC DESIRES. THIS DOES NOT MEAN, HE SAID, THAT ARBITRATION MAY NOT PROVE USEFUL AT AN APPROPRIATE POINT. HE THOUGHT IT ENTIRELY POSSIBLE THAT AFTER DIRECT NEGOTIATIONS HAVE REDUCED DIFFERENCES TO A FEW NARROW ISSUES, ARBITRATION MIGHT PROVIDE THE BEST MEANS FOR SOLVING THOSE.

18. I SAID WE BELIEVED IT IMPORTANT THAT GOC AVOID COMMITMENT TO PARTICULAR PROCEDURES THAT MIGHT NOT HOLD PRACTICAL SOLUTIONS IN ALL CASES AND COULD CONSTITUTE POSITIVE IMPEDIMENTS TO SOLUTIONS. IN THIS REGARD I SAID THAT REPORTS OF RECONSTITUTION OF COPPER TRIBUNAL HAD GIVEN US SOME CONCERN. FOR EXAMPLE, WE WONDERED WHETHER THE COPPER TRIBUNAL COULD BE USED AT ALL WITHOUT PRECLUDING OTHER PROCEDURES SUCH AS DIRECT SETTLEMENT OR ARBITRATION AND WITHOUT ENDORSING CONCEPTS SUCH AS EXCESS PROFIT REDUCTION WHICH WE FOUND UNACCEPTABLE FOR BROAD POLITICAL AND LEGAL REASONS. SAEZ TWITTED ME BY REMARKING HE HAD ALWAYS BEEN INTERESTED IN U.S. EXCESS PROFITS LEGISLATION, WHICH HE BELIEVED WAS PASSED IN 1950, BUT HAD NEVER SEEN IT, ALTHOUGH HE PRESUMED THAT THE GOC LEGAL EXPERTS HAD IT AVAILABLE. HE THEN CONTINUED IN SERIOUS VEIN, NOTING THAT THE COPPER TRIBUNAL HAS NOT YET BEEN REORGANIZED. THERE HAVE BEEN CHANGES IN THE COPPER TRIBUNAL BUT THESE WERE CONSEQUENCES OF THE REORGANIZATION OF THE CONSTITUTIONAL TRIBUNAL (SEE SANTIAGO 5541). CONSIDERATION HAS BEEN GIVEN TO REORGANIZING THE COPPER TRIBUNAL TO TRY TO DEPOLITICIZE IT. SAEZ SAID HE HAD RECOMMENDED THAT IT BE BROUGHT UNDER THE SUPREME COURT. THIS WOULD HAVE THE ADVANTAGE OF REMOVING ITS POLITICAL FEATURES WHILE AT THE SAME TIME MAKING IT AN AVENUE OF JUDICIAL APPEAL IF THAT SHOULD PROVE DESIRABLE TO COMPANIES. IF THIS IS DONE HE THOUGHT THERE MIGHT BE A USEFUL ROLE FOR COPPER TRIBUNAL AS PART OF PROCESS OF SETTLEMENT. IN ANSWER TO MY QUESTION HE CONFIRMED THAT HE ENVISAGED THE COPPER TRIBUNAL AS AN OPTION WHICH THE COMPANIES MIGHT FIND USEFUL AT SOME POINT BUT WHOSE USE WOULD CERTAINLY NOT BE OBLIGATORY.

19. I SUMMARIZED MY UNDERSTANDING OF THE STEPS THE GOC WOULD TAKE AS SET FORTH IN THE SUMMARY IN PARA ONE ABOVE. SAEZ CONFIRMED THAT UNDERSTANDING AND OUR CONVERSATION MOVED TO ANOTHER

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TOPIC.

20. COMMENTS: SAEZ GIVES EVERY INDICATION OF CONSIDERING HIMSELF RESPONSIBLE FOR THESE MATTERS. THE STEPS HE HAS AGREED TO SEEM QUITE SATISFACTORY IN TERMS OF OUR OBJECTIVES.

21. RE SUGGESTIONS PARA SIX, REF (A): AS REPORTED SANTIAGO 5660, WE HAVE SPOKEN TO CARLOS SANSON OF IMF ABOUT TYPE OF PAYMENTS REQUIRED UNDER A RESCHEDULING BILATERAL BUT FOUND HIM AWAIT-

SPECIFIC U.S. REQUIREMENTS FOR GOC PAYMENT. IN RECENT DAYS WE HAVE LEARNED THAT THE TEAM HEADED BY JORGE MARSHALL OF THE CENTRAL BANK IS CONCERNED WITH TECHNICAL RATHER THAN POLICY ASPECTS OF EXTERNAL DEBT RENEGOTIATION. AS RESULT, I BELIEVE IT IS BETTER NOT RPT NOT TO APPROACH HIM ON THIS MATTER.

2. WISHFUL THINKING OR NOT, SAEZ BELIEVES THE COPPER COMPENSATION NEGOTIATIONS CAN BE CONCLUDED IN "TWO OR THREE ROUNDS/ OF INTENSIVE NEGOTIATIONS WITH EACH COMPANY, WITH THE PAUSES BETWEEN NEGOTIATING ROUNDS UTILIZED FOR EXCHANGES OF INFORMATION BETWEEN THE TWO SIDES AND REASSESSMENT OF POSITIONS. THIS VIEW EMERGED WHEN SAEZ NOTED THAT HE WAS WELL BACK IN THE RUNNING FOR NEGOTIATION BECAUSE OF HIS MULTITUDE OF OTHER RESPONSIBILITIES. I REMARKED THAT I THOUGHT THAT A PITY BUT COULD UNDERSTAND THE RELUCTANCE OF THOSE WHO HAD CALLED HIM TO HIS PRESENT RESPONSIBILITIES TO PERMIT HIM TO ASSUME THIS ONE, SINCE I REGARDED IT AS A FULL-TIME ASSIGNMENT. SAEZ REPLIED THAT IT WOULD BE FULL TIME ONLY PART TIME AS EXPLAINED ABOVE. THIS ALSO SUGGESTS SAEZ SHOULD NOT BE ALTOGETHER EXCLUDED AS THE POSSIBLE GOC NEGOTIATOR.

23. IT IS MY IMPRESSION THAT SAEZ MADE TWO DECISIONS IN THE COURSE OF OUR MEETING: (A) TO SIT DOWN WITH US IN MID-DECEMBER TO DISCUSS A BILATERAL AGREEMENT ON ALL 1971-72 DEBT TO U.S, AND (B) TO REPORT PRIVATELY TO THE COMPANIES ON THE APPOINTMENT OF A GOC NEGOTIATOR IN ADVANCE OF RELEASING PUBLICITY ABOUT THAT ACTION. IF SAEZ IS TO FOLLOW THROUGH ON HIS AGREEMENT TO DISCUSS A BILATERAL WITH US, HE WILL HAVE TO PREPARE HIMSELF AND OBTAIN AUTHORIZATION FROM THE JUNTA TO NEGOTIATE WITHIN CERTAIN PARAMETERS. RECOMMENDATION: GIVEN THE SHORT TIME AVAILABLE, I RECOMMEND DEPT CONSIDER PROVIDING ME WITH STATEMENT OF AMOUNT AND COMPOSITION OF 1971-72 DEBT TO U.S. AND OUR VIEW OF WHAT GOC
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SHOULD DO ABOUT IT. I WOULD PROPOSE TO GIVE AS MUCH OF THIS INFORMATION TO SAEZ AS DEPT IS WILLING TO AUTHORIZE IN THE HOPE OF ENABLING HIM TO ACT DECISIVELY ON THIS MATTER IN WASHINGTON.
THOMPSON

SECRET

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 11 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COPPER, ITINERARY, FINANCIAL DATA, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 NOV 1973
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973SANTIA05779
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: P750020-1730
From: SANTIAGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731166/abqcehzb.tel
Line Count: 367
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ACTION SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: (A) STATE 226439; (B) SANTIAGO 5625
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 17 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17-Jan-2002 by willialc>; APPROVED <12 FEB 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COPPER COMPENSATION AND DEBT RESCHEDULING
TAGS: PFOR, US, CI, UN, (SAEZ, RAUL)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005